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# ON THE REVISION OF THE LAND TAX

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CITATION:

Shiomi, Saburo. ON THE REVISION OF THE LAND TAX. Kyoto University Economic Review 1929, 4(2): 76-93

ISSUE DATE:

1929-12

URL:

[https://doi.org/10.11179/ker1926.4.2\\_76](https://doi.org/10.11179/ker1926.4.2_76)

RIGHT:

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# Kyoto University Economic Review

MEMOIRS OF  
THE DEPARTMENT OF ECONOMICS  
IN  
THE IMPERIAL UNIVERSITY OF KYOTO

VOLUME IV 1929

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PUBLISHED BY THE DEPARTMENT  
OF ECONOMICS IN  
THE IMPERIAL UNIVERSITY OF KYOTO

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## ON THE REVISION OF THE LAND TAX

### 1. THE TRANSFER OF THE TAX TO THE LOCAL TREASURIES AND THE ASSESSMENT OF THE TAX ON THE RENTAL VALUE OF LAND

In the past, the land tax formed the nucleus of the State revenue. Physiocrats even went so far as to urge the formation of the taxation system on the basis of the land tax only and did their utmost to see their theory put into practice. Setting apart the propriety or otherwise of this view of the physiocrats, the fact cannot be impugned that the land tax plays an important part in an agricultural State. Take the case of Japan's Finances, for instance. The enormous war funds required in the Sino-Japanese and the Russo-Japanese Wars were raised by increasing the rates of the land tax. In this respect, the land tax was as important to Japan's finances as the income tax is to Britain's—a sort of milch cow to the State. With the change of the times, however, the land tax has come to play a less and less important part in the country's finances, as may be seen from the following table:—

Table I

Comparison between the land tax revenue and the aggregate revenue from all taxes. (1,000 Yen)

Year	The land tax revenue	The aggregate revenue from all taxes
1884 .....	43,425	67,203
1889 .....	42,161	71,294
1894 .....	39,291	71,286
1899 .....	44,861	126,034
1904 .....	60,939	194,362
1909 .....	85,693	323,407
1914 .....	74,925	343,708
1919 .....	73,754	672,385
1924 .....	71,969	887,237
1929 (budget)...	63,620	897,582

As the above table shows, the revenue accruing from the land tax was by far the largest item of all tax incomes at the time of the Sino-Japanese and the Russo-Japanese Wars, but after the World War, the revenue from it fell below that from the income tax or the *sake* tax, and now it is even falling behind the Customs duties and the sugar excise. The land tax, as a national tax, lacks plasticity, and does not even now much exceed sixty million yen in its revenue, despite the great financial progress of the country. The result is that a surtax is imposed by the prefectures, municipalities, towns and villages aggregating a sum larger than is collected as the national land tax. In this way, the land tax is gradually acquiring greater importance as a local levy than as a source of State revenue. With a view to vesting the land tax, which has lost much of its former importance, with new significance, various views are being advanced for its reform. One of these urges that the tax should be converted into a municipal, town or village levy altogether. The theory in favour of the transfer of the land tax to the local treasuries represents this body of opinion. Another view contends that the standard of assessment for the land tax should be altered, while keeping it as a national tax. In other words, it insists that the rental value of land, not the registered value of land, should be made the standard of assessment. This is compendiously designated as the land rental value theory. Which of these two courses should be adopted or whether they should be adopted side by side is a question awaiting final solution. The land tax transfer question has already been thoroughly threshed out, and so as a matter of practical interest, the land rental value question is more important. I propose, therefore, to discuss the revision of the land tax with special reference to the rental value question.

## 2. THE LAND VALUE AS THE STANDARD OF ASSESSMENT

### (a) The standard of assessment for the land tax

The land tax is by no means of a simple nature, and there are various kinds of the tax. One kind is imposed, as a profit tax, on the revenue accruing from land in accordance with the spirit of heavy taxation on property revenue, in addition to an income tax thereon. Another kind of land tax forms a part of the general property tax. Inasmuch as land, as real estate, constitutes an important part of private property, the general property tax can reasonably be levied on land. Still another kind of land tax that is conceivable is one which falls within the domain of the general income tax. Since the income from real estate forms no small part of private revenue, the general income tax can include an impost on land. The land tax in this country belongs to the first-mentioned category. The land tax which I have in view in discussing the revision of the standard of assessment is, therefore, the one which is levied as a profit tax. It is quite plain that the land tax as a profit tax is imposed on the revenue from land, but the question is where the standard of assessment should be sought. There are roughly two standard of assessment open for selection. One refers to the value of land (Grundwert) and the other refers to the revenue from land (Ertragsfahigkeit). The value of land can be worked out either on the basis of the market value of land or on that of the revenue accruing from it by regarding it as interest on the money invested. Thus, it is necessary to consider whether the value of land or the revenue from land furnishes the standard of assessment for the land tax in this country.

### (b) The land tax in force and the value of land

We must go back to the Regulations for the Revision of the Land Tax promulgated in July, 1873, as Proclamation

No. 272, in order to make clear the legal basis of the land tax in force. Under these Regulations, the value of land is adopted as the standard of assessment for the land tax, and the methods of working out the value of land are defined as follows:—

“The total revenue from one *tan* (about 0.245 acres) of a field shall be fixed at the market price of all the produce on it, and the remaindes after the cost of seed-rice and fertiliser (which are legally fixed at 15 per cent. of the total revenue), land tax (3 per cent. of the land value) and village imposts (one-third of the land tax) have been deducted from the total revenue, shall be regarded as the net profit. The land value shall be fixed at the principal to which this net profit shall be worked back at the stipulated rate of interest.”

Seeing that the value of land forms the standard of assessment for the land tax and that the value of land is worked out by the methods above described, it may be said that the standard of assessment for the land tax in Japan is furnished by the land value and that the value of land is based not on the market value of land but on the value worked out by assuming the money invested in it from the revenue from land.

As the work of fixing the value of land was a stupendous one, it took a long time to complete. It was taken in hand in 1875 or 1876 and finished in 1877 or 1878 in regard to fields (*ta*), farms (*hata*), and residential land, while it was not until 1881 that it was completed in respect of forest and waste land. With the economic development of the country, however, the value of land, which took so many years in assessing, has gradually become inadequate to meet the needs of the times. In consequence, *ad interim* remedial measures, some of which took the form of revision and others that of the adoption of differential rates, were taken to bring it up to date, as mentioned below:—

Revision of the land value.	Differential rates.
Proclamation No. 25 of 1880 (under which the unfair incidence of the land tax was removed after years of work).	
Law No. 22 promulgated in August, 1889 (under which the special value of fields and farms was revised).	
Law No. 31 promulgated in 1898 (under which the value of fields and farms was revised).	Law No. 32 promulgated in 1898 (fixing the tax at 3.3 per cent. of the land value and the land tax on residential land in urban districts at 5 per cent. of the land value).
	Law No. 3 promulgated in 1904 (urban residential land ... 8 per cent. of the land value; rural residential land ... 6 per cent. of the land value; and other land ... 4.3 per cent. of the land value).
	Law No. 1 promulgated in 1905 (urban residential land ... 20 per cent. of the land value; rural residential land ... 8 per cent. of the land value; and other land ... 5.5 per cent. of the land value).
Law No. 3 promulgated in 1910 (under which the value of residential land was revised on the basis of the rental value).	Law No. 2 promulgated in 1910 (residential land ... 2.5 per cent. of the land value; fields and farms ... 4.7 per cent. of the land value; and other land ... 5.5 per cent. of the land value).
	In March, 1928 (fields and farms ... 4.5 per cent. of the land value).

As the land tax is assessed by multiplying the value of the land by the stipulated rates, the unfair valuation of land is amenable to correction in itself, while at the same time revision is possible in the matter of rates. Notwithstanding the fact that fields, farms and residential land were re-valued

and differential rates were provided for residential land in urban and rural districts, fields, farms and other kinds of land, the assessed value of land has gradually become so irrelevant that it is in ill accord with the actual economic conditions prevailing. In proof of this contention, I cite from the Annual Statistical Report of the Taxation Bureau the figures obtained as the result of the specimen investigation made of the market value, the rental value and the registered value of residential land in Tokyo prefecture as follows:—

Table II

Comparison of the market value, rental value and registered value of residential land in Tokyo prefecture. (Yen)

	Year.	1st class land.	2nd class land,	3rd class land.
The market value.	1911 .....	24,000	8,700	150
	1912 .....	24,600	8,700	165
	1913 .....	27,000	8,700	165
	1914 .....	27,000	8,700	200
	1915 .....	27,000	9,000	250
	1916 .....	27,000	9,000	250
	1917 .....	34,500	12,000	250
	1918 .....	36,000	12,000	320
	1919 .....	90,000	19,600	480
	1920 .....	90,000	24,000	480
	1921 .....	108,000	30,000	900
The rental value.	1911 .....	1,087	225	15
	1912 .....	1,119	225	15
	1913 .....	1,223	225	15
	1914 .....	1,223	225	15
	1915 .....	1,223	225	14
	1916 .....	1,223	360	14
	1917 .....	1,440	480	14
	1918 .....	1,500	480	17
	1919 .....	1,605	680	22
	1920 .....	1,605	800	22
	1921 .....	1,845	1,400	36
The registered value.	1911 .....	10,200	2,250	150
	1912 .....	"	"	"
	1913 .....	"	"	"
	1914 .....	"	"	"
	1915 .....	"	"	"
	1916 .....	"	"	"
	1917 .....	"	"	"
	1918 .....	"	"	"
	1919 .....	"	"	"
	1920 .....	"	"	"
	1921 .....	"	"	"



By first class land in the above table is meant residential land at Shimomaki-cho, Nihonbashi, Tokyo, by second class land that at Nakano-cho, Azabu, Tokyo, and by third class land that at Kokuryo in the town of Chofu, Kitatama-gun, Tokyo prefecture. From the above table it will be seen that which during the eleven years between 1911 and 1921, the market value increased four times, three and a half times and six times as much and the rental value increased twice, six times and twice as much in respect of the first class, the second class and the third class land respectively, the registered value of land remained unchanged. This state of things naturally gives rise to the demand for the substitution of the revenue from land for the rigidly fixed assessed value of land as the standard of assessment.

### 3. THE RENTAL VALUE PRINCIPLE

#### (a) Investigation of the rental value

If the revenue from land is to be adopted as the standard of assessment, it is most appropriate that the rental value should be used as such. When it is remembered that on the occasion of the revision of the assessed value of residential land in 1910, the value of land was fixed, as a matter of principle, at ten times the rental value, it will be seen that the rental value principle enters into the composition of the land tax in force. Thus, the rental value of land in urban districts was made clear by the investigation of 1910. Again, during the three years between 1918 and 1920, a preliminary investigation was conducted into the rental value of fields and farms. This tendency for the standard of assessing the land tax to change from the registered value of land to the actual revenue from land was visualised in the Law for the Investigation of the Rental Value of Land, which was promulgated on March 31st, 1926, as Law No. 45, and in the Land Rental Value Commission Law enacted on March 30th, 1927, as Law No. 16.

According to the settled accounts of the extraordinary expenditure of the Department of Finance, in the fiscal year 1926-1927 the sum of ¥3,898,531 was appropriated in Item 14 of Section 2 and in the following fiscal year the sum of ¥6,094,135 was appropriated in Item 11 of Section 2. That is to say, the investigation of the rental value of land was carried out throughout the country at the estimated cost of ¥10,000,000. The rental value is defined as "the money which the landlord gets where land is rented on condition that the public imposts, costs of repairs, and other expenses incident on the upkeep of the land should be borne by the landlord." The following four points are also worthy of note as explanatory of the meaning of the rental value of land :—

1. The investigation to be conducted in regard to all the land on which is imposed the land tax in force on April 1st, 1927.
2. The investigation to be made, not of each lot of land, but of "the area where analogous conditions prevail" in respect of each class of land.
3. The rental value of fields and farms to be fixed at the average rent paid during the five years preceding April 1st, 1926.
4. The rental value of residential land to be fixed at the yearly rent worked out on the basis of the rent obtaining on April 1st, 1926.

(b) *Alteration in the standard of assessment*

Legally speaking, the investigation of the rental value of land is made for its own sake, but as a matter of fact, it anticipates a change in the standard of assessment. Accordingly, the matter is of much practical importance.

No reliable materials are yet available as to the rental value of land ruling on April 1st, 1927, as no publicity has been given to such materials. Here, I select land of medium quality in all prefectures and propose to make clear the state of the rental value of land ruling in Japan at present

by finding the numerical relationship in which the registered value of land stands to the rental value. The figures for 1911 are compared with those for 1927 in Tables 3, 4 and 5, thereby showing the changes that occurred in the intervening seventeen years. For certain reasons, however, Hokkaido and Okinawa (the Luchus) are excluded from the list.

Table III

Comparison between the registered and the rental value of fields

	1912			1927		
	The registered value (Yen)	The rental value (Yen)	The rental value (%) The registered value	The registered value (Yen)	The rental value (Yen)	The rental value (%) The registered value
Tokyo.....	43	12.480	29	61	29.700	49
Kanagawa.....	43	14.400	34	41	35.000	86
Saitama.....	49	14.850	30	31	34.000	111
Chiba.....	30	13.440	45	32	39.600	124
Yamanashi ..	28	19.159	68	44	32.790	75
Tochigi.....	40	18.720	47	26	24.650	95
Ibaraki.....	56	9.500	17	31	16.240	53
Gumma.....	50	12.980	24	37	22.400	61
Osaka.....	56	27.200	49	54	46.260	86
Kyoto.....	34	17.284	51	54	46.360	86
Hyogo.....	47	23.750	51	47	53.700	114
Nara.....	36	18.375	51	52	50.400	97
Wakayama ..	46	20.160	44	46	38.050	83
Shiga.....	47	17.100	36	41	35.240	86
Fukui.....	47	17.820	38	45	29.990	67
Ishikawa.....	51	17.040	33	54	36.410	68
Toyama.....	22	19.200	87	33	29.140	88
Kagawa.....	23	20.400	89	47	38.010	81
Tokushima ..	35	20.360	58	35	37.390	107
Kochi.....	47	17.996	38	40	37.800	95
Miyagi.....	25	10.320	41	22	24.750	112
Iwate.....	24	9.310	39	22	21.170	96
Fukushima ..	26	12.980	50	26	26.100	100
Akita.....	20	14.208	71	26	22.880	88
Aomori.....	23	10.800	47	27	23.520	87
Yamagata.....	30	16.800	56	31	23.040	74
Aichi.....	50	17.400	35	36	32.780	91
Shizuoka.....	37	17.500	47	37	28.870	78
Mie.....	43	17.000	40	43	32.650	76
Gifu.....	41	15.700	39	59	31.500	53
Nagano.....	36	19.100	53	30	30.860	103
Niigata.....	33	13.500	41	27	27.810	103
Hiroshima.....	36	16.275	45	40	33.060	83
Yamaguchi ..	32	19.525	61	26	32.550	125

	1912			1927		
	The re- gistered value (Yen)	The rental value (Yen)	The rental value (%) The re- gistered value	The re- gistered value (Yen)	The rental value (Yen)	The rental value (%) The re- gistered value
Okayama .....	50	20.240	41	48	37.730	79
Tottori .....	35	16.500	47	36	32.580	91
Shimane .....	37	17.515	47	28	33.420	119
Ehime .....	32	18.000	56	38	27.900	74
Kumamoto .....	41	14.670	36	40	28.510	71
Fukuoka .....	37	15.500	42	30	30.000	100
Oita .....	32	14.400	45	14	27.290	193
Nagasaki .....	54	16.360	30	42	28.000	67
Saga .....	68	16.200	24	57	30.000	53
Kagoshima .....	47	11.620	25	27	24.800	92
Miyazaki .....	21	11.100	53	40	18.900	47
Arithmetic average=45.1			Arithmetic average=88.1			
Mean deviation =10.5178			Mean deviation =17.417			

As regards fields, the rental value, which was 45.1 per cent. of the registered value of land in 1912, rose to 88.1 per cent. in 1927.

Table IV

Comparison between the registered value and the rental value of farms

	1912			1927		
	The registered value (Yen)	The rental value (Yen)	The rental value (%) The registered value	The registered value (Yen)	The rental value (Yen)	The rental value (%) The registered value
Tokyo.....	16	6.000	38	21	15.000	72
Kanagawa.....	12	5.500	46	15	9.000	60
Saitama.....	19	7.836	40	12	11.500	96
Chiba.....	20	5.750	29	13	10.000	77
Yamanashi .....	10	10.665	107	22	17.500	80
Tochigi .....	12	3.500	29	11	11.000	100
Ibaraki .....	15	5.000	33	12	8.000	67
Gumma .....	13	5.250	44	21	16.000	76
Osaka.....	39	13.654	35	33	24.500	74
Kyoto .....	17	6.900	41	34	20.010	59

	1912			1927		
	The registered value (Yen)	The rental value (Yen)	The rental value There- (%) gistered value	The registered value (Yen)	The rental value (Yen)	The rental value There- (%) gistered value
Hyogo.....	21	7.200	34	26	23.562	91
Nara .....	25	9.100	36	18	12.150	68
Wakayama ...	23	10.800	47	39	15.130	39
Shiga .....	39	9.900	25	26	30.960	119
Fukui .....	11	10.140	92	11	13.520	123
Ishikawa .....	16	8.699	54	40	26.050	65
Toyama .....	7	6.121	87	53	24.840	47
Kagawa .....	34	9.600	28	32	28.400	89
Tokushima ...	42	9.010	22	27	29.330	109
Kochi .....	21	8.180	39	29	18.900	65
Miyagi .....	12	5.700	48	9	7.400	82
Iwate .....	12	4.080	34	7	7.450	106
Fukushima ...	13	4.000	31	12	8.000	67
Akita .....	13	4.440	34	11	8.750	80
Aomori .....	5	4.251	85	9	5.600	62
Yamagata .....	13	5.580	43	16	9.000	56
Aichi .....	20	13.260	66	11	17.440	159
Shizuoka .....	14	10.854	78	15	16.040	107
Mie .....	28	11.480	41	22	13.470	61
Gifu .....	21	9.960	47	19	20.580	108
Nagano .....	19	6.815	36	17	19.200	113
Niigata .....	11	6.650	61	19	15.000	79
Hiroshima.....	13	10.200	79	23	14.920	65
Yamaguchi ...	12	4.200	35	3	7.000	233
Okayama .....	33	10.380	32	21	16.490	79
Tottori .....	13	8.250	64	14	12.520	89
Shimane.....	14	7.500	54	13	10.820	83
Ehime.....	18	9.000	50	32	15.500	49
Kumamoto .....	12	7.900	66	6	6.820	114
Fukuoka .....	13	5.570	43	14	8.120	58
Oita.....	9	6.262	70	8	7.810	98
Nagasaki .....	18	5.455	30	7	7.580	108
Saga .....	17	7.900	47	10	8.590	86
Kagoshima ...	12	6.790	57	5	5.860	117
Miyazaki .....	16	4.550	29	10	6.750	68
Arithmetic average=48.1			Arithmetic average=86.7			
Mean deviation =15.4378			Mean deviation =23.0067			

The percentage of the rental value of farms to the registered value increased from 48.1 per cent. to 86.7 or about twice as much.

Table V

Comparison between the registered value and the rental value  
of residential land

	1912			1927		
	The re- gistered value (Yen)	The rental value (Yen)	The rental value There- gistered value (%)	The re- gistered value (Yen)	The rental value (Yen)	The rental value There- gistered value (%)
Tokyo.....	2,250	225,000	10	454	2,700,000	595
Kanagawa.....	331	240,000	73	367	300,000	82
Saitama.....	390	39,000	10	120	60,000	50
Chiba.....	216	36,000	17	225	60,000	27
Yamanashi.....	480	96,000	20	72	51,000	71
Tochigi.....	480	48,000	10	120	90,000	75
Ibaraki.....	390	42,000	11	390	72,070	19
Gumma.....	480	55,000	12	300	120,000	40
Osaka.....	420	30,000	7	255	295,450	116
Kyoto.....	150	19,012	13	210	193,320	92
Hyogo.....	65	28,500	17	210	90,000	43
Nara.....	255	29,000	11	300	176,310	59
Wakayama.....	240	38,500	16	117	58,320	50
Shiga.....	120	15,570	13	150	40,800	27
Fukui.....	120	19,089	16	360	56,160	16
Ishikawa.....	135	21,748	16	180	97,740	53
Toyama.....	109	19,200	18	165	116,200	70
Kagawa.....	150	23,250	16	240	108,600	45
Tokushima.....	165	34,500	21	180	69,000	38
Kochi.....	109	23,700	22	200	37,790	19
Miyagi.....	220	30,000	14	393	90,000	28
Iwate.....	210	21,000	10	240	67,500	28
Fukushima.....	225	32,142	14	270	72,000	27
Akita.....	192	45,000	24	193	65,000	34
Aomori.....	225	36,000	16	300	105,000	35
Yamagata.....	285	36,000	13	165	50,080	30
Aichi.....	285	36,733	13	600	158,000	26
Shizuoka.....	120	30,000	25	180	120,000	67
Mie.....	180	26,550	15	120	36,000	30
Gifu.....	165	26,250	16	480	103,920	22
Nagano.....	108	23,250	22	108	39,790	37
Niigata.....	90	17,400	19	420	67,000	16
Hiroshima.....	60	26,350	44	99	63,800	65
Yamaguchi.....	60	30,000	50	64	150,000	235
Okayama.....	210	30,885	15	150	53,760	36
Tottori.....	108	19,800	18	90	34,100	38
Shimane.....	195	19,500	10	135	48,600	36
Ehime.....	135	20,340	15	90	43,350	48
Kumamoto.....	681	74,250	11	285	165,000	58
Fukuoka.....	900	105,000	12	130	300,000	231

	1912			1927		
	The registered value (Yen)	The rental value (Yen)	The rental value There-gistered value (%)	The registered value (Yen)	The rental value (Yen)	The rental value There-gistered value (%)
Oita.....	300	75.000	25	246	165.000	67
Nagasaki .....	720	90.000	13	321	240.000	75
Saga .....	660	82.000	12	140	200.000	143
Kagoshima ...	90	39.570	44	90	015.000	117
Miyazaki .....	240	24.000	10	195	015.000	54
Arithmetic average=18.4			Arithmetic average=70.3			
Mean deviation =7.4533			Mean deviation =47.02			

With regard to residential land, the percentage of the rental value to the registered value increased to a little more than fourfold from 18.4 per cent. to 70.3 during the seventeen years referred to.

In the above three tables, all prefectures show their own peculiar features, but taken as a whole, the rate of increase in the rental value is twice as high in residential land as in fields and farms. It may also be noted that changes in the rental value of residential land are more irregular as compared with those occurring in the rental value of fields and farms. Seeing that such remarkable changes took place during the seventeen years under review and that the rates of these changes differed with the prefectures and in respect of residential land and farms and fields, it is clear that there is need for frequent inquiries into the rental value of land.

#### 4. THE ADOPTION OF THE RENTAL VALUE PRINCIPLE

It is reported that the Hamaguchi Cabinet intends to introduce in the new session of the Diet a Land Tax Revision Bill aiming at a change of the standard of assessment from the registered value of land to the rental value. As no concrete plan of the Government has yet been made

public, I shall confine myself here to the setting forth of some important points connected with the adoption of the rental value principle.

1. It is necessary to adopt, as a matter of principle, the rental value of land instead of the registered value of land as the standard of assessing the land tax. As the figures indicating the results of the specimen investigation in Tokyo prefecture and of the statistical investigations in 45 prefectures show, the registered value of land remains the same for many years, and it is absolutely impossible to support the adoption of it as the standard of assessment. Furthermore, there is a growing tendency for the rental value to be adopted as the standard of assessment. Whereas in the case of the C-class income tax, small incomes are exempted from the tax while progressive taxation is imposed on larger incomes, in the case of the land tax, the registered value of land, which has remained unaltered for many years, is taken as the standard of assessment, regardless of fluctuations in the market value and the rental value of the land. So long as the registered value of land forms the standard of assessment, it is quite inevitable that it should often happen that a small tax is levied where the tax-bearing capacity is great and a heavy tax is imposed where the capacity for bearing taxation is limited. It is an undeniable fact that the owners of the land, the market or the rental value of which has risen considerably are bearing a light tax and are undeservedly increasing their wealth and revenue at the sacrifice of the interests of other owners of land and also at the cost of the general public. It is just and proper that the rental value of land should supplant the registered value of land as the standard of assessment so that this social injustice may be rectified. This is the reason why I endorse the rental value standard of assessment as a matter of principle.

2. It is necessary to make fresh investigations of the rental value every five years. The rental value ruling on April 1st, 1926, which forms the standard of assessment



now in force, already contains many points of unfairness though not more than three years and a half have passed since then. Especially unfit for adoption at the present time is the rental value of residential land which is three years old, as it is subject to constant change. Even in regard to the rental value of fields, which is subject to much less change, the figures obtained three years ago are hardly apposite now, considering that while the rental value, then worked out, had the average price of rice during the preceding five years, viz. something like ¥35 per *koku*, as its basis of calculation, the price of rice now ruling is ¥28 or thereabouts. Such being the case, it is necessary to revise the registered rental value often. Some people traverse the idea of revising the registered rental value every five years on the ground that it entails heavy expenditure. I do not share their view, however. It is true that the last investigation involved the heavy expenditure of ¥10,000,000, but this was because it was made after the long interval of some scores of years. Partial revision of the rental value where it is irrelevant every five years will not perhaps require more than ¥2,000,000. If this estimate is correct, the annual expenditure will be only ¥400,000. Inasmuch as this ¥400,000 will not serve to supply a fair standard of assessment for the land tax as a national levy, but go to rectify the unfair incidence of its surtax and besides furnish important materials for the calculation of the income tax and the succession tax, it can hardly be regarded as a disproportionately heavy burden on the nation. To investigate the rental value every five years is, indeed, in accord with the spirit underlying the substitution of the rental value for the registered value of land as the standard of assessment.

3. In adopting the rental value principle, it is necessary to provide *ad interim* regulations. The immediate adoption of the rental value principle is destined to cause considerable fluctuations in the market value and the rental value of land. That is to say, the owners of the land, the tax on which stands to increase under the revised system, will

reduce the rental value of the land, while the owners of the land on which a lower tax is to be levied than at present will raise the rental value of the land. With regard to the market value of land, it will fluctuate either upward or downward to the amount approximate to the difference between the old and new taxes converted into the capital invested. In case the land has been owned by the same person for many years, he can make up for the past or future loss with future or past profit, and thus a fair incidence of the land tax can be ensured. But in the case of those who have either newly purchased land or have just sold it, they may either gain or lose quite unwarrantably by the changes in the rates of the land tax, which may result from the adoption of the rental value principle. It is, therefore, important that *ad interim* arrangements should be provided to prevent sudden changes of the kind and promote the object in view. In this respect, two different views found expression in the special committees in the 51st and 52nd sessions of the Diet. In the 51st session of the Diet, Dr. Gotaro Ogawa, in the course of his report on the work of his special committee, said:—"It was asked (in the committee) whether the urban districts would not be made to bear the major part of the land tax as a result of a remarkable increase which would take place in the rental value of urban land and whether it would not be necessary to enact regulations designed to alleviate this tendency. To this question, the Government delegate replied that the point raised would be considered when a Bill for the revision of the Land Tax Regulations would be introduced."

Again, in the 52nd session of the Diet, Mr. Miichiro Orihara, in his report, mentioned one of the three wishes of his special committee as follows:—"In case certain restrictions are to be enforced with a view to allaying the too violent increases in the land tax consequent upon the considerably advanced rental value, the utmost care should be used lest they should defeat the original object of the revision of the tax."

Both views are at one in recognising the need of a neutralising expedient being devised when adopting the rental value principle, but one of them rather emphasises this necessity, while the other urges a rigorous enforcement of the principle in question. The nature of this neutralising expedient is of special practical importance.

The rental value question resolves itself into the problem of the standard of assessment, and while it certainly deserves close study, it is also important that the revision of the land itself should receive due attention, for it is observable that some taxable lands are not registered in the cadastres at all, or some are wrongfully classified in such books. The financial authorities are making efforts to correct these mistakes, but their efforts should not stop there. They would do well to go a step further and re-survey the areas of the taxable lands. There is, in such circumstances, still much room for reform in the land tax in this country. If, however, the standard of assessment can be altered from the value of land to the rental value of land it may be hailed as a good step forward.

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According to the newspaper reports, the Government intends to put the provisions to the following effect in the proposed Land Tax Bill:—

1. The new law to supplant the Land Tax Regulations and to be called the Land Tax Law.
  2. The rental value of land to form the standard of assessment in the new law.
  3. The uniform rate to be imposed at 4.5 per cent. of the rental value.
  4. Land, the rental value of which falls below ¥200, p. a., to be exempted from the tax.
  5. Mitigatory stipulations to be provided in favour of lands on which the burden of taxation is suddenly increased under the new law.
  6. The regulations governing the encouragement of the
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adjustment of arable land and the exemption of waste land from taxation, which are now in force, to remain operative without much amendment,

7. The rental value of land to be revised every ten years.

8. The new law to be put into force on April 1st, 1930.

It is doubtful whether a Bill along the lines forecast above will really be introduced in the Diet or whether such a Bill will be passed by the Diet in its original form, but I nevertheless reproduce the above for reference.

SABURO SHIOMI